

COMMISSION ON ELECTRIC UTILITY RESTRUCTURING

Thursday, January 15, 2004

8:00 a.m.

Senate Room A, General Assembly Building

PROPOSED AGENDA

1. **Call to order.**
2. **Opening remarks of Chairman.**
3. **Proposed Changes to the Electric Utility Restructuring Act:**

A. Delegate Morgan -

- **Proposal 1: Stranded costs; overearnings.** Defines stranded costs and just and reasonable net stranded costs. Requires the SCC to calculate on an annual basis the stranded costs of each incumbent electric utility and to prepare an annual report to the Commission on Electric Utility Restructuring regarding stranded cost issues. Authorizes the State Corporation Commission to reduce or eliminate an incumbent utility's wires charges, capped rates, or both, if after notice and hearing, it determines that a utility has overearned its stranded costs.
- **Proposal 2: Electric utility restructuring; protection of state jurisdiction; customer choice suspended.** Suspends customer choice until July 1, 2007, unless the SCC finds that rate unbundling will not result in the Commonwealth ceding its jurisdiction and authority to ensure reliable service at reasonable rates. Directs the SCC to immediately rebundle incumbent electric utilities' rates and take the actions necessary to protect the Commonwealth's jurisdiction to ensure reliable electric service at reasonable rates. This bill does not repeal the Electric Utility Restructuring Act. On and after July 1, 2007, retail customers will face market-based prices for generation services either through purchases from competitive suppliers or through default service prices that reflect the market. This bill has an emergency clause.

B. Delegate Kilgore -

- **Proposal: The Electric Utility Restructuring Act.** Suspends indefinitely, except for pilot programs, competition among suppliers of electric energy to retail customers in the Commonwealth; facilitates the proceedings of the EURC with regard to monitoring the development of competitive wholesale electric markets and making future judgments as to the viability of retail customer choice in the Commonwealth; returns incumbent electric utilities to the rate making jurisdiction of the SCC on a cost-of-service basis pursuant to Chapter 10 of Title 56; and authorizes, except as otherwise provided, the SCC to continue to regulate the generation, transmission, and distribution of retail electric energy in the Commonwealth. The bill does not disturb requirements related to the transfer of management and control of transmission assets to regional transmission entities, including the SCC's responsibilities concerning such transfers, nor does it inhibit retail competition involving pilot programs.

C. Senator Watkins -

- **Proposal 1: Minimum stay requirements; wires charges.** (Combines last Session's bills SB 891 and SB 892, which were referred to the EURC by the Senate Commerce and Labor Committee.) Authorizes any large industrial or commercial customer who is returning to its incumbent electric utility or default provider after purchasing power from a competitive supplier to elect to accept market-based pricing as an alternative to being bound by the minimum stay period (currently 12 months unless otherwise authorized) prescribed by the SCC.

Customers exempted from minimum stay periods will not be entitled to purchase retail electric energy from their incumbent electric utilities thereafter at the capped rates unless such customers agree to satisfy any minimum stay period then applicable. Also authorizes industrial and commercial customers, as well as aggregated customers in all rate classes, to switch to a competitive service provider without paying a wires charge if they agree to pay market-based prices if they ever return to the incumbent electric utility. Customers who make this commitment and obtain power from suppliers without paying wires charges are not entitled to obtain power from their incumbent utility at its capped rates.

- **Proposal 2: Municipal and state aggregation.** Provides that a municipality or other political subdivision may aggregate the electric energy load of residential, commercial, and industrial retail customers within its boundaries on either an opt-in or opt-out basis, eliminates the requirement that customers must opt in to select such aggregation, and eliminates the requirement that such municipality or other political subdivision may not earn a profit from such aggregation.

D. Delegate Parrish -

- **Proposal - Electric utility restructuring; electrical generating facility certificates.** Extends by two years the expiration date of certain certificates granted by the SCC to construct and operate electrical generating facilities. Only those certificates for which applications were filed with the SCC prior to July 1, 2002, will receive an extension.

4. Consideration of Legislative Proposals.

A. Delegate Parrish's Proposal

B. Senator Watkin's Proposals

C. Delegate Kilgore's Proposal

D. Delegate Morgan's Proposals

E. Office of the Governor and of the Attorney General Proposal

- **Electric utility restructuring; extension of rate caps and fuel factors.** Extends until December 31, 2010, the rate caps currently in place for incumbent electric utilities unless terminated sooner by the State Corporation Commission (Commission) upon a finding of an effectively competitive market for generation services in the service territory of an incumbent utility. Utilities not bound by a rate case settlement may petition the Commission for a change in rates after January 1, 2004. (Current law limits such petition for a change in only the nongeneration components of rates.) If capped rates are continued after July 1, 2007, an incumbent electric utility may at any time after July 1, 2007, petition the Commission for approval of a one-time change in its rates. If a majority of electric cooperatives elect to be exempt from certain provisions of the Act, then all cooperatives will be exempt, and if such election is made, the cooperatives will revert back to cost-of-service regulation. The bill provides for an extension of the fuel costs recovery tariff provisions (fuel factors) in effect on January 1, 2004, for any electric utility that purchases fuel for the generation of electricity and that was, as of July 1, 1999, bound by a rate case settlement adopted by the Commission that extended in its application beyond January 1, 2002. The fuel factors shall remain in effect until the earlier of (i) July 1, 2007, (ii) the termination of capped rates, or (iii) the establishment of tariff provisions as directed by the Commission.

F. Net Metering Proposal (MDV Solar Energy request)

- Amends Section 56-594 to change the net metering maximum from 25 kW to 500 kW. The net metering provisions give customer-generators the opportunity to sell

excess generated electricity to electric utilities. "Net energy metering" means measuring the difference, over the net metering period, between (i) electricity supplied to an eligible customer-generator from the electric grid and (ii) the electricity generated and fed back to the electric grid by the eligible customer-generator.

G. Air emissions bill (Virginia Energy Providers Association)

- **Air emissions trading.** Prohibits the Commonwealth from selling, by auction or other manner, the set asides allocated to new sources of air emissions.

5. Other business.

6. Adjournment.

Members

Senator Thomas K. Norment, Jr., Chairman
Senator Kenneth W. Stolle
Senator John C. Watkins
Senator Richard L. Saslaw
Delegate Harry J. Parrish

Delegate Robert Tata
Delegate Terry G. Kilgore
Delegate Allen W. Dudley
Delegate Kenneth R. Plum
Delegate James M. Scott

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